

**AMERICAN ACADEMY OF PEDIATRICS**  
**OMB Single Audit A-133**

**YEARS ENDED JUNE 30, 2012 AND 2011**

{ **Financial Statements** }

plante  
moran

**American Academy of Pediatrics**  
Years Ended June 30, 2012 and 2011

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## Report of Independent Certified Public Accountants

Board of Directors  
American Academy of Pediatrics

We have audited the accompanying statement of financial position of **American Academy of Pediatrics** as of June 30, 2012, and the related statements of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Academy's 2011 financial statements which were audited by Blackman Kallick, LLP, whose report dated September 22, 2011 expressed an unqualified opinion on those statements. Blackman Kallick, LLP subsequently merged into Plante & Moran, PLLC.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of **American Academy of Pediatrics** as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 2012 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

*Plante & Moran, PLLC*

October 2, 2012

**American Academy of Pediatrics**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Cash	\$ 6,065,337	\$ 8,380,803
Receivables		
Publications and supplements, net of allowance of \$41,942 in 2012 and \$350,028 in 2011	2,617,096	2,973,216
Contracts and grants	2,558,956	919,539
Pledges receivable	1,172,956	1,524,532
Royalties	1,695,329	746,441
Advertising, net of allowance of \$687 in 2012 and \$0 in 2011	659,180	616,543
Other	1,000,018	1,572,337
Publication inventories, net of allowance for obsolescence of \$337,000 in 2012 and \$332,000 in 2011	1,725,827	1,770,819
Prepaid expenses	2,731,597	2,701,672
Investments	46,230,704	42,825,996
Property and equipment, net	27,372,702	25,274,326
<b>TOTAL ASSETS</b>	<u>\$ 93,829,702</u>	<u>\$ 89,306,224</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, trade	\$ 2,298,069	\$ 1,314,463
Chapter dues payable	667,395	867,914
Accrued expenses	2,497,141	2,493,180
Accrued salary and related expenses	9,478,676	9,107,893
Deferred revenues		
Membership dues	14,470,748	13,975,709
Pediatrics subscription fees	4,381,039	4,178,274
Pediatrics in Review subscriptions fees and Pediatrics Review and Education Program enrollment fees	4,313,995	4,179,888
Contracts and grants	4,878,578	4,106,277
Meetings	2,038,368	2,101,559
Other	2,097,439	2,116,194
Annuity payment liability	193,839	212,682
Capital lease obligations	102,833	158,770
<b>TOTAL LIABILITIES</b>	<u>47,418,120</u>	<u>44,812,803</u>
Net assets		
Unrestricted		
Board-designated		
Sections	2,456,490	1,977,493
Venture Capital	3,584,703	2,844,500
Neonatal Resuscitation Program	268,746	290,613
Friends of Children	2,402,715	2,319,547
Tomorrow's Children Fund	719,268	718,402
Reserves	15,647,910	17,209,444
Undesignated	15,845,473	13,225,617
Total Unrestricted	40,925,305	38,585,616
Temporarily Restricted	3,402,212	3,936,824
Permanently Restricted	2,084,065	1,970,981
<b>TOTAL NET ASSETS</b>	<u>46,411,582</u>	<u>44,493,421</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 93,829,702</u>	<u>\$ 89,306,224</u>

The accompanying notes are an integral part of these statements.

**American Academy of Pediatrics**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended June 30, 2012 with Comparative Totals for 2011**

	Unrestricted 2012	Temporarily Restricted 2012	Permanently Restricted 2012	Total 2012	Total 2011
<b>Revenue, Gains and Other Support:</b>					
Membership Dues	\$ 22,301,439	\$ -	\$ -	\$ 22,301,439	\$ 21,727,480
NCE and SCME Conferences and Meetings	5,458,167	-	-	5,458,167	4,897,582
Contracts and Grants	14,424,104	-	-	14,424,104	10,875,904
Advertising	5,985,598	-	-	5,985,598	5,108,605
Royalties	3,775,343	-	-	3,775,343	2,464,261
Manuals and Publications	18,463,963	-	-	18,463,963	15,504,755
Subscriptions	17,410,609	-	-	17,410,609	16,491,700
Continuing Education	5,349,272	-	-	5,349,272	4,804,929
Investment Income	1,804,410	101,401	-	1,905,811	1,530,840
Contributions	1,015,022	5,633,379	113,084	6,761,485	8,017,530
Release from Restrictions	6,304,880	(6,304,880)	-	-	-
Other Income	2,236,564	-	-	2,236,564	2,090,543
<b>Total revenue, gains and other support</b>	<b>104,529,371</b>	<b>(570,100)</b>	<b>113,084</b>	<b>104,072,355</b>	<b>93,514,129</b>
<b>Expenses:</b>					
<b>Program services:</b>					
Meeting and Convention Services	4,861,183	-	-	4,861,183	4,252,126
Medical Journals and eLearning	14,985,596	-	-	14,985,596	14,103,551
Contracts and Grants	11,669,528	-	-	11,669,528	8,859,227
<b>Education:</b>					
Continuing Medical Education	4,623,443	-	-	4,623,443	4,146,261
Life Support	3,529,277	-	-	3,529,277	3,112,415
Public Education	426,088	-	-	426,088	453,598
Administration	1,862,448	-	-	1,862,448	1,646,772
Federal Affairs	3,206,140	-	-	3,206,140	2,859,785
State and Chapter Affairs	3,936,828	-	-	3,936,828	3,284,277
Membership Services	1,660,551	-	-	1,660,551	1,584,817
Marketing and Publications	8,298,235	-	-	8,298,235	7,898,544
Committees and Sections	8,889,081	-	-	8,889,081	8,162,245
Research	1,647,134	-	-	1,647,134	1,379,238
Pediatric Practice	4,788,908	-	-	4,788,908	4,705,362
<b>Supporting activities:</b>					
Membership Services	2,472,260	-	-	2,472,260	2,334,645
<b>Customer Service:</b>					
Meeting and Convention Services	1,749,275	-	-	1,749,275	1,747,572
Marketing and Publications	736,403	-	-	736,403	724,902
Medical Journals and eLearning	292,707	-	-	292,707	276,497
Customer Service Center	1,455,685	-	-	1,455,685	1,350,034
<b>Management and general:</b>					
Executive Director, Board, PR, International and HR	9,883,524	-	-	9,883,524	9,439,189
Fundraising	1,529,821	-	-	1,529,821	1,292,345
Information Technology	5,684,820	-	-	5,684,820	4,379,517
Finance and Administrative Services	2,735,623	-	-	2,735,623	2,231,765
<b>Total expenses</b>	<b>100,924,558</b>	<b>-</b>	<b>-</b>	<b>100,924,558</b>	<b>90,224,684</b>
<b>Change in net assets due to operations</b>	<b>3,604,813</b>	<b>(570,100)</b>	<b>113,084</b>	<b>3,147,797</b>	<b>3,289,445</b>
Net Realized and Change in Unrealized (Loss) Gain	(1,265,124)	35,488	-	(1,229,636)	4,046,378
<b>Change in net assets</b>	<b>2,339,689</b>	<b>(534,612)</b>	<b>113,084</b>	<b>1,918,161</b>	<b>7,335,823</b>
<b>Beginning Net Assets</b>	<b>38,585,616</b>	<b>3,936,824</b>	<b>1,970,981</b>	<b>44,493,421</b>	<b>37,157,598</b>
<b>Ending Net Assets</b>	<b>\$ 40,925,305</b>	<b>\$ 3,402,212</b>	<b>\$ 2,084,065</b>	<b>\$ 46,411,582</b>	<b>\$ 44,493,421</b>

The accompanying notes are an integral part of these statements.

**American Academy of Pediatrics**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**Two Years Ended June 30, 2012 and 2011**

	Board Designated						Undesignated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Sections	Venture Capital	Neonatal Resuscitation Program	Friends of Children	Tomorrow's Children	Reserves					
Balance at June 30, 2010	<u>\$ 2,017,705</u>	<u>\$ 2,058,234</u>	<u>\$ 400,000</u>	<u>\$ 2,678,861</u>	<u>\$ 599,518</u>	<u>\$ 14,214,369</u>	<u>\$ 10,982,348</u>	<u>\$ 32,951,035</u>	<u>\$ 2,266,654</u>	<u>\$ 1,939,909</u>	<u>\$ 37,157,598</u>
Increase in net assets	-	-	-	-	-	-	5,634,581	5,634,581	1,670,170	31,072	7,335,823
Designations	<u>(40,212)</u>	<u>786,266</u>	<u>(109,387)</u>	<u>(359,314)</u>	<u>118,884</u>	<u>2,995,075</u>	<u>(3,391,311)</u>	-	-	-	-
Balance at June 30, 2011	<u>\$ 1,977,493</u>	<u>\$ 2,844,500</u>	<u>\$ 290,613</u>	<u>\$ 2,319,547</u>	<u>\$ 718,402</u>	<u>\$ 17,209,444</u>	<u>\$ 13,225,617</u>	<u>\$ 38,585,616</u>	<u>\$ 3,936,824</u>	<u>\$ 1,970,981</u>	<u>\$ 44,493,421</u>
Increase in net assets	-	-	-	-	-	-	2,339,689	2,339,689	(534,612)	113,084	1,918,161
Designations	<u>478,997</u>	<u>740,203</u>	<u>(21,867)</u>	<u>83,168</u>	<u>866</u>	<u>(1,561,534)</u>	<u>280,167</u>	-	-	-	-
Balance at June 30, 2012	<u>\$ 2,456,490</u>	<u>\$ 3,584,703</u>	<u>\$ 268,746</u>	<u>\$ 2,402,715</u>	<u>\$ 719,268</u>	<u>\$ 15,647,910</u>	<u>\$ 15,845,473</u>	<u>\$ 40,925,305</u>	<u>\$ 3,402,212</u>	<u>\$ 2,084,065</u>	<u>\$ 46,411,582</u>

The accompanying notes are an integral part of these statements.

**American Academy of Pediatrics**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,918,161	\$ 7,335,823
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,744,744	2,200,687
Provision for bad debt expense	96,140	159,447
Loss on disposal of equipment	20,582	32,422
Net realized and change in unrealized loss (gains) on investments	1,229,636	(4,046,378)
Permanently restricted contributions	(113,084)	(31,072)
Change in assets and liabilities		
Receivables	(1,447,070)	(3,141,212)
Publication inventories	44,992	(371,128)
Prepaid expenses	(29,924)	(571,254)
Annuity payment liability	(18,843)	(20,374)
Accounts payable, trade	983,606	(629,381)
Accrued expenses	3,961	552,767
Accrued salary and related expenses	370,783	1,370,842
Deferred revenues	1,522,267	(678,948)
Net cash provided by operating activities	<u>7,325,951</u>	<u>2,162,241</u>
Cash flows from investing activities		
Purchases of property and equipment	(4,804,032)	(2,882,638)
Proceeds from maturities and sales of investments	22,646,358	21,141,116
Purchases of investments	(27,280,701)	(25,062,241)
Net cash used in investing activities	<u>(9,438,375)</u>	<u>(6,803,763)</u>
Cash flows from financing activities		
Permanently restricted contributions	113,084	31,072
Cash received on behalf of chapters	4,279,457	3,653,846
Cash remitted to chapters	(4,479,976)	(3,493,131)
Principal payments on capital lease obligations	(115,607)	(121,923)
Net cash (used in) provided by financing activities	<u>(203,042)</u>	<u>69,864</u>
<b>NET DECREASE IN CASH</b>	<u>(2,315,466)</u>	<u>(4,571,658)</u>
Cash at beginning of year	<u>8,380,803</u>	<u>12,952,461</u>
Cash at end of year	<u>\$ 6,065,337</u>	<u>\$ 8,380,803</u>
Supplemental schedules of noncash financing activities		
Capital lease obligations incurred for the acquisition of office equipment	<u>\$ 59,670</u>	<u>\$ 211,359</u>

The accompanying notes are an integral part of these statements.



**American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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**NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Business***

The American Academy of Pediatrics (the Academy) is a professional organization whose purpose is the attainment of optimal physical, mental and social health for all infants, children and young adults through education, advocacy, research and service.

A summary of significant accounting policies follows.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAPUSA) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ.

***Cash***

Substantially all of the Academy's cash, which at times may exceed federally insured limits, is deposited in one financial institution. Effective December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC). The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

***Receivables***

Receivables are amounts due from members, donors, and customers, net of allowances for uncollectible amounts. The Academy determines its allowances by considering a number of factors, including the length of time accounts receivable are past due, the Academy's previous collection history, the member, donor, or customer's current ability to pay its obligation to the Academy, and the condition of the general economy as a whole. The Academy sets up an allowance for receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the appropriate allowance for uncollectible amounts.

***Prepaid Expenses***

Costs incurred for meetings and educational programs to be held in subsequent fiscal years are deferred and expensed in the years to which they apply.

**American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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**NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING  
POLICIES - Continued**

***Investments***

Investments are measured at fair value in the accompanying statements of financial position. Net realized gains or losses on sales of securities are based on first-in, first-out (FIFO) cost. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Management considers gains and losses on investments, both realized and unrealized, as nonoperating income or expense. These gains and losses are segregated from operating revenues and expenses on the statements of activities.

The Academy's investments are exposed to various risks, such as interest rates, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments could occur in the near future and materially affect the amounts reported in the financial statements.

***Publication Inventories***

Publication inventories consist of program manuals and publications primarily held for resale or use in educational programs. Inventories are recorded on the FIFO method at lower of cost or market.

***Property and Equipment***

Property and equipment are stated at cost, less accumulated depreciation computed on the straight-line method over the useful lives of the assets ranging from three to 50 years. Amortization on assets under capital lease is included with depreciation expense on owned assets. Amortization on these assets is computed over the life of the lease. Leasehold improvements are amortized over the shorter of the lease or the useful life of the improvements. Costs incurred for the purchase of internal use software are capitalized.

***Revenue Recognition***

An unconditional promise of a contribution (pledge or gift) from a donor is recognized at the time of receipt of the promise. Gifts of cash and other assets are presented as unrestricted support unless received with donor stipulations limiting the use of the donated assets. Contributions to be received after one year are initially recorded at fair value. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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**NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING  
POLICIES**

***Revenue Recognition - Continued***

Membership dues are billed on anniversary dates. Billings are due upon receipt. These dues are recognized as revenue over the membership and subscription period.

Nonmember subscription fees for PEDIATRICS, the Academy's periodical, cover a 12-month period and are billed on their respective subscription anniversary dates. The fees are deferred and recognized as revenue over the subscription period.

Manuals and Publications revenues are recognized when the order is shipped.

Contracts and grants received are deferred until the related costs are incurred. To the extent reimbursable costs exceed cash received, a receivable is recorded from the grantor or contractor.

Meeting fees are recognized in the year in which they are earned.

***Split-Interest Agreements***

The Academy manages a number of charitable gift annuities for which the Academy has received contributions in exchange for a promise to pay fixed amounts for a specific period of time to the donor, individuals or organizations specified by the donor. The assets received by the Academy are included in its general investments and valued at fair value. The annuity payment liability is recorded at the present value of future cash flows.

**American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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**NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING  
POLICIES - Continued**

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting. The Academy maintains its books and records in accordance with the principals and practices of fund accounting. This is the procedure by which resources are classified into funds established according to their nature and purpose and on the existence of donor-imposed restrictions. Accordingly net assets of the Academy are reported as follows:

*Unrestricted* - Those resources over which The Executive Board has discretionary control. These include any designated amounts the Board has set aside for a particular purpose. The Board has resolved that the Academy shall maintain certain operating fund balances as follows:

*Sections Fund* - Sections are subspecialty medical groups of the Academy. Certain amounts are designated to be used by various sections based on section dues collected and budgeted and actual expenditures.

*Venture Capital Fund* - This fund can only be used for programs that have the potential to generate income to the Academy. Program income replenishes amounts transferred from this fund. Additionally, after the Fund is replenished, 5% of program revenue is transferred to this fund annually.

*Neonatal Resuscitation Program Fund* - The contract, effective July 1, 2010, with American Heart Association (AHA) has designated \$200,000 for use by the Neonatal Resuscitation Program. The designated amount will remain \$200,000 until this program incurs a net loss in any given year, which would result in a reduction of the designated amount. The agreement that governs the program requires that 12.5% of net sales of manuals, publications and educational programming related to the Neonatal Resuscitation Program is paid to AHA in each year.

*Friends of Children Fund* - Represents amounts designated for Friends of Children Fund that have not yet been expended.

*Tomorrow's Children Fund* - Represents amounts designated as Tomorrow's Children Fund Endowment.

*Reserves Fund* - Represents amounts designated for specific future needs of the Academy.

**American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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**NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation - Continued***

*Temporarily Restricted Net Assets* - Those resources subject to donor-imposed restrictions that will be satisfied either by the actions of the Academy or passage of time. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Temporarily restricted net assets consist of donor-imposed restrictions.

*Permanently Restricted Net Assets* - Those resources subject to donor-imposed restrictions that stipulate that the principal of these endowments be permanently invested by the Academy. The donors of these resources have permitted the Academy to use all of the income earned for unrestricted or temporarily restricted purposes.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAPUSA. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

***Fair Value Measurements***

Effective July 1, 2010, the Academy adopted new guidance that requires the Academy to report significant transfers between Level 1 and Level 2 and the reasons for those transfers, as well as disclosing the reasons for transfers in or out of Level 3. Additionally, the guidance requires the Academy to clarify existing disclosure requirements about the level of disaggregation and inputs and valuation techniques. The adoption of this guidance resulted in a greater level of disaggregation and additional disclosures about inputs and valuation techniques.

The new guidance also requires the reconciliation of changes in Level 3 fair value measurements to present purchases, sales and settlements separately on a gross basis rather than as a net amount, effective for fiscal years beginning after December 15, 2010. The adoption of this guidance did not have a significant impact on the Academy's financial statements.

**American Academy of Pediatrics  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2012**

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**NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING  
 POLICIES - Continued**

*Endowment*

GAAPUSA addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was enacted in Illinois effective June 30, 2009. A key component of UPMIFA is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In addition, GAAPUSA requires new disclosure about an organization's donor-restricted and board-designated endowment funds. The objective of this disclosure is to provide information so that financial statement users can understand the net asset classification, net asset composition, changes in net asset compositions, spending policy and related investment policy pertaining to the Academy's endowment funds.

*Subsequent Events*

The Academy has evaluated subsequent events through October 2, 2012, the date the financial statements were available to be issued.

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**NOTE B - PLEDGES RECEIVABLE**

Pledges receivable as of June 30, 2012 and 2011, include the following:

	<u>2012</u>	<u>2011</u>
Pledges receivable due in		
Less than one year	\$ 1,188,836	\$ 1,149,570
One year to five years	32,000	435,000
Five years to ten years	<u>20,000</u>	<u>-</u>
	1,240,836	1,584,570
Less allowance	(61,075)	(59,163)
Less unamortized discount	<u>(6,805)</u>	<u>(875)</u>
Pledges receivable, net	<u>\$ 1,172,956</u>	<u>\$ 1,524,532</u>

**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE B - PLEDGES RECEIVABLE - Continued**

Pledges receivable are discounted at rates ranging from 1% to 6% as of June 30, 2012 and 2011. Changes in the Academy's allowance for uncollectible amounts for publications and supplements receivables are as follows for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 350,028	\$ 207,688
Bad debt expense	96,140	159,447
Accounts written-off	<u>(403,539)</u>	<u>(17,107)</u>
Ending balance	<u>\$ 42,629</u>	<u>\$ 350,028</u>

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**NOTE C - FAIR VALUE MEASUREMENTS**

GAAPUSA defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAPUSA describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the inputs to the valuation technique used:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Academy uses no Level 3 inputs.

**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

**NOTE C - FAIR VALUE MEASUREMENTS - Continued**

The following tables set forth by level, within the fair value hierarchy, the Academy's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2012 and 2011. As required by GAAPUSA, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Academy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

Description	Fair Values as of June 30, 2012	Recurring Fair Value Measurements as of Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Money Market Funds	\$ 1,029,382	\$ 1,029,382	\$ -	\$ -
Fixed Income Securities				
Corporate Bonds	13,170,105	13,170,105	-	-
Equity Securities				
U.S. Large-Cap Growth	3,727,141	3,727,141	-	-
U.S. Large-Cap Value	4,541,723	4,541,723	-	-
U.S. Small/Mid-Cap Growth	2,229,258	2,229,258	-	-
U.S. Small/Mid-Cap Value	7,457,032	1,345,941	6,111,091	-
Global	7,213,395	7,213,395	-	-
Real Estate	1,141,386	1,141,386	-	-
Other Mutual Funds - Short Term				
Bond Funds	5,721,282	5,721,282	-	-
	<u>\$ 46,230,704</u>	<u>\$ 40,119,613</u>	<u>\$ 6,111,091</u>	<u>\$ -</u>

Description	Fair Values as of June 30, 2011	Recurring Fair Value Measurements as of Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Money Market Funds	\$ 1,334,038	\$ 1,334,038	\$ -	\$ -
Fixed Income Securities				
U.S. Treasuries	228,068	-	228,068	-
Corporate Bonds	12,010,113	12,010,113	-	-
Equity Securities				
U.S. Large-Cap Growth	1,610,623	1,610,623	-	-
U.S. Large-Cap Value	4,513,536	4,513,536	-	-
U.S. Small/Mid-Cap Growth	1,475,435	1,475,435	-	-
U.S. Small/Mid-Cap Value	6,897,318	620,228	6,277,090	-
Global	8,346,003	7,889,306	456,697	-
Real Estate	830,685	830,685	-	-
Other Mutual Funds - Short Term				
Bond Funds	5,580,177	5,580,177	-	-
	<u>\$ 42,825,996</u>	<u>\$ 35,864,141</u>	<u>\$ 6,961,855</u>	<u>\$ -</u>



**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE C - FAIR VALUE MEASUREMENTS - Continued**

Level 1 Inputs

Fair values of the Academy's money market funds, corporate bonds, equity securities and other mutual funds were based on quoted market prices.

Level 2 Inputs

Estimated fair values of the Academy's U.S. Treasury Securities and certain equity securities were based on similar investments that are traded on the secondary market.

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**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2012 and 2011, consists of the following:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 4,640,041	\$ 4,315,632
Building and improvements	20,471,389	19,695,021
Building equipment	339,532	359,977
Office equipment	17,300,457	13,531,224
Furniture and fixtures	5,040,114	5,037,215
Construction in progress	<u>716,302</u>	<u>1,549,324</u>
	48,507,835	44,488,393
Less accumulated depreciation	<u>(21,135,133)</u>	<u>(19,214,067)</u>
	<u>\$ 27,372,702</u>	<u>\$ 25,274,326</u>

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**American Academy of Pediatrics  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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**NOTE E - AGENCY FUND**

Chapter dues are billed and collected by the Academy on behalf of many of its chapters and subsequently remitted to the respective chapters. Cash includes chapter dues collected, but not yet remitted, of \$667,395, and \$867,914 as of June 30, 2012 and 2011, respectively.

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**NOTE F - ENDOWMENT**

Endowment

The Academy's endowment consists of approximately 13 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAPUSA, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on existences or absences of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Academy interpreted UPMIFA as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy. In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment funds
3. General economic conditions
4. The expected total return from income and the appreciation of investments
5. Other resources of the Academy
6. The investment policies of the Academy

**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE F - ENDOWMENT - Continued**

Return Objectives and Risk Parameters

The Academy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Academy expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Academy has a policy of appropriating for distribution each year no greater than 5% of its endowment fund's fair value over the prior four quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Academy considered the long-term expected return on its endowment. Accordingly, over the long term, the Academy expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Academy's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Academy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Academy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Academy to retain as a fund of perpetual duration. As of June 30, 2012 and 2011, there were no deficiencies in the individual donor-restricted endowment funds.

**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE F - ENDOWMENT - Continued**

Endowment net asset composition by type of fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 719,271	\$ -	\$ -	\$ 719,271
Donor-restricted endowment funds	<u>-</u>	<u>706,918</u>	<u>2,084,065</u>	<u>2,790,983</u>
Total Funds	<u>\$ 719,271</u>	<u>\$ 706,918</u>	<u>\$ 2,084,065</u>	<u>\$ 3,510,254</u>

Changes in endowment net assets for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 718,405</u>	<u>\$ 702,771</u>	<u>\$ 1,970,981</u>	<u>\$ 3,392,157</u>
Investment return:				
Investment income	34,825	101,401	-	136,226
Net (loss)/gain (realized and change in unrealized)	<u>(16,892)</u>	<u>35,488</u>	<u>-</u>	<u>18,596</u>
	<u>17,933</u>	<u>136,889</u>	<u>-</u>	<u>154,822</u>
Contributions	23,369	-	113,084	136,453
Appropriation of endowment assets for expenditure	(36,402)	(125,482)	-	(161,884)
Investment fees	<u>(4,034)</u>	<u>(7,260)</u>	<u>-</u>	<u>(11,294)</u>
Endowment net assets, end of year	<u>\$ 719,271</u>	<u>\$ 706,918</u>	<u>\$ 2,084,065</u>	<u>\$ 3,510,254</u>

**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE F - ENDOWMENT - Continued**

Endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 718,405	\$ -	\$ -	\$ 718,405
Donor-restricted endowment funds	<u>-</u>	<u>702,771</u>	<u>1,970,981</u>	<u>2,673,752</u>
Total Funds	<u>\$ 718,405</u>	<u>\$ 702,771</u>	<u>\$ 1,970,981</u>	<u>\$ 3,392,157</u>

Changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 599,518</u>	<u>\$ 381,351</u>	<u>\$ 1,939,909</u>	<u>\$ 2,920,778</u>
Investment return:				
Investment income	28,940	81,089	-	110,029
Net gain (realized and change in unrealized)	<u>117,826</u>	<u>269,882</u>	<u>-</u>	<u>387,708</u>
	<u>146,766</u>	<u>350,971</u>	<u>-</u>	<u>497,737</u>
Contributions	-	-	66,341	66,341
Appropriation of endowment assets for expenditure	(34,086)	(48,624)	-	(82,710)
Reclassification of fund balance	10,269	25,000	(35,269)	-
Investment fees	<u>(4,062)</u>	<u>(5,927)</u>	<u>-</u>	<u>(9,989)</u>
Endowment net assets, end of year	<u>\$ 718,405</u>	<u>\$ 702,771</u>	<u>\$ 1,970,981</u>	<u>\$ 3,392,157</u>

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**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE G - INCOME TAXES**

The Academy is a not-for-profit Illinois corporation organized for scientific and educational purposes and has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Academy has been classified as an organization that is not a private foundation, as defined in Section 509(a) of the IRC. As such, the Academy is only subject to taxation on its unrelated business income less related expenses under Section 512 of the IRC.

The Academy's unrelated business income results from advertising revenue and other non-member revenue. For the years ended June 30, 2012 and 2011, the Academy's unrelated business expenses exceeded unrelated business income. As a result, no provision for income taxes is necessary.

The Academy's application of GAAPUSA regarding uncertain tax positions had no effect on its financial position as management believes the Academy has no material unrecognized income tax liabilities. The Academy would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax liabilities as income tax expense. The Academy is no longer subject to examination by tax authorities for federal and state income taxes for periods before 2009.

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**NOTE H - RETIREMENT PLAN**

The Academy maintains a defined contribution retirement plan covering substantially all full-time employees. The plan contains a 401(k) provision that allows employees to make contributions to the plan on a pretax basis, subject to limitations established by the IRC. The Academy contributes an amount equal to the participant's contributions, up to 3% of the participant's compensation \$1 for \$1 and an additional \$.50 on the \$1 for the contributions from 3% to 6%. In addition, the Academy may make discretionary contributions to the plan up to an amount equal to 5% to 10% of the aggregate annual compensation of all employees, less any forfeitures of nonvested employees' accounts. The Academy made 8% discretionary contributions for the year ended June 30, 2012 and 9% for the year ended June 30, 2011 amounting to \$2,435,848 and \$2,540,252 in 2012 and 2011, respectively. Total Academy contributions were \$3,264,125 and \$3,227,184 for the years ended June 30, 2012 and 2011, respectively.

**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE H - RETIREMENT PLAN - Continued**

Effective July 1, 2008, the Academy adopted a 457(f) deferred compensation plan (the 457(f) Plan). The Executive Director shall have a fully vested, nonforfeitable interest in his deferred compensation if the Academy dissolves or if he (1) dies, (2) becomes disabled, or (3) is terminated from employment for reasons other than set forth in the employment agreement.

Effective October 1, 2008, the Academy adopted a 457(b) nonqualified deferred compensation plan. The Executive Director, Associate Executive Directors, Department Directors and employees in equivalent positions are eligible to defer compensation and receive employer discretionary contributions into the plan. All participant deferrals and employer credits are 100% vested immediately. Amounts under the 457(b) plan may only be distributed upon a qualifying distribution, which includes separation from service, death, disability or an unforeseeable emergency.

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**NOTE I - OPERATING LEASE**

The Academy leases office space in Washington, D.C. under a noncancelable, renewable lease that expires in June 2023. Rent expense is recognized on a straight line basis. In addition to monthly rental payments, the Academy must also pay its proportionate share of real estate taxes on the leased space. The total minimum rental commitments as of June 30, 2012, under this lease, excluding real estate taxes, are due as follows:

Years Ending June 30:	
2013	\$ 717,343
2014	419,430
2015	590,227
2016	604,946
2017	620,115
Thereafter	<u>4,109,567</u>
Total	<u>\$ 7,061,628</u>

Rental expense amounted to \$729,954 and \$603,536 for the years ended June 30, 2012 and 2011, respectively.

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**American Academy of Pediatrics**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

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**NOTE J - CAPITAL LEASES**

The Academy has leasehold interests on certain office equipment under agreements that expire at various dates through June 2015. The cost of the leased assets was \$400,002 and \$419,125, and accumulated amortization was \$272,500 and \$243,668 as of June 30, 2012 and 2011, respectively.

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2012:

Years Ending June 30:

2013	\$ 56,393
2014	36,973
2015	<u>10,670</u>
Total minimum lease payments	104,036
Less amount representing interest	<u>(1,203)</u>
Total capital lease obligations	102,833
Less current maturities	<u>(48,499)</u>
Total long-term capital lease obligations	<u><u>\$ 54,334</u></u>

The Academy also has various maintenance contracts on certain of these capital leases that are expensed on a monthly basis. The contracts require monthly payments of approximately \$0.

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**NOTE K - RECLASSIFICATIONS**

For comparability, the 2011 financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used in 2012.

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SUPPLEMENTARY INFORMATION

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Directors  
American Academy of Pediatrics

We have audited the financial statements of **American Academy of Pediatrics** as of and for the year ended June 30, 2012, and have issued our report thereon dated October 2, 2012 . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of **American Academy of Pediatrics** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Academy in a separate letter dated October 2, 2012.

This report is intended solely for the information and use of the Advisory Committee to the Board on Finance, Audit and Compensation, board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 2, 2012

**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
American Academy of Pediatrics

Compliance

We have audited **American Academy of Pediatrics'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2012. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Advisory Committee to the Board on Finance, Audit and Compensation, board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 2, 2012

**American Academy of Pediatrics**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Trough Grantor/Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
U. S. Department of Health and Human Services		
Maternal and Child Health Federal Consolidated Programs		
Direct Awards	<b>93.110</b>	*
MCH Research Network Programs		\$ 362,177
Healthy Tomorrows Partnership for Children		29,878
Healthy Tomorrows Partnership for Children		124,670
Child Care		40,438
Child Care		345,783
Adolescent Health / School-Based Health		15,154
Bright Futures Pediatric Implementation		685,551
Supplement to Bright Futures Pediatric Implementation		
- Young Investigators Award		129,888
Supplement to Bright Futures Pediatric Implementation		
- Healthy Active Living		136
Supplement to Bright Futures Pediatric Implementation		
- Promoting Healthy Weight Mobile Messaging		94,304
Bright Futures Pediatric Implementation		97,961
Supplement to Bright Futures Pediatric Implementation		
- Young Investigators Award		39,590
Supplement to Bright Futures Pediatric Implementation		
- Promoting Healthy Weight Mobile Messaging		71,072
Medical Home Capacity Building for Children with Special Health Care Needs		554,735
Supplement to Medical Home Capacity Building for Children with Special Health Care Needs		181,555
Alliance for Information on Maternal and Child Health Program Genetics in Primary Care		156,820
		236,738
Pass-through from American College of Medical Genetics		
National Coordinating Center for Regional Genetics and Newborn Screening Collaboratives		14,660
Pass-through from Institute for Community Inclusion University of Massachusetts Boston		
Integrated Community Service Systems/CSHCN		13,369
Pass-through from National Health Care Transition Center		
Transition Services in Adolescent Health - Healthy and Ready to Work		8,000
		<b>3,202,478</b>

See report of independent certified public accountants regarding supplemental information.  
See notes to schedule of expenditures of federal awards.

**American Academy of Pediatrics**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Trough Grantor/Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
Direct Awards		
ARRA - Maternal and Child Health (MCH) Pediatric Research Network Program	<b>93.419</b>	* \$ <b>1,018,357</b>
Head Start		
Direct Awards		
National Center on Health	<b>93.600</b>	* <b>1,652,392</b>
Agency for Healthcare Research and Quality		
Research on Healthcare Costs, Quality and Outcomes		
Pass-through from Mount Sinai School of Medicine		
Collaboration for Advancing Pediatric Quality Measures	<b>93.226</b>	15,872
Pass-through from Medical College of Wisconsin		
CHIPRA Pediatric Healthcare Quality Measures in Program Centers of Excellence		36,473
Pass-through from National Committee for Quality Assurance		
National Collaborative for Innovation in Quality Measurement		30,423
		<hr/> <b>82,769</b>
Centers for Medicare and Medicaid Services		
Pass-through from Health Management Associates		
Medicaid and Children's Health Insurance Programs: Children's Health Insurance Program Reauthorization Act: Sect 401(D)	<b>93.767</b>	* <b>330,258</b>
Centers for Disease Control and Prevention		
Direct Awards		
Public Health Program to Enhance Health & Development in and Children	<b>93.283</b>	587,100
Supplement to Public Health Program to Enhance Health & Development in and Children		
- Disaster Preparedness		101,017
Pass-Through from Association for State and Territorial Health Officials		
Nurse Triage Line		24,916
		<hr/> <b>713,033</b>
Direct Awards		
Childhood Immunization Support Program	<b>93.185</b>	<b>206,062</b>
Priority 7 - School Health Services	<b>93.938</b>	<b>266,470</b>
Pass-through from University of Michigan		
Translating an Effective Teen Driving Program for Parents to Primary Care	<b>93.061</b>	<b>182,048</b>

See report of independent certified public accountants regarding supplemental information.  
See notes to schedule of expenditures of federal awards.

**American Academy of Pediatrics**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Trough Grantor/Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
Public Health Service		
Direct Awards		
2010 ARRA - Prevention and Wellness - Leveraging National Organizations	<b>93.731</b>	* \$ <b>792,899</b>
National Institutes of Health		
National Cancer Institute		
Direct Awards		
Pediatric Clinical Research Networks: Optimizing Effectiveness Through Cooperation	<b>93.867</b>	<b>14,400</b>
Direct Awards		
Adolescent Smoking Cessation in Pediatric Primary Care Supplement to Adolescent Smoking Cessation in Pediatric Primary Care	<b>93.393</b>	* 420,475
Pass-Through from Massachusetts General Hospital Addressing Parental Smoking by Changing Pediatric Office Systems		212,238
Pass-Through from Massachusetts General Hospital Addressing Parental Smoking by Changing Pediatric Office Systems		124,800
		<u><b>757,513</b></u>
Pass-Through from Massachusetts General Hospital Addressing Parental Smoking by Changing Pediatric Office Systems	<b>93.701</b>	13,984
Pass-Through from Massachusetts General Hospital Addressing Parental Smoking by Changing Pediatric Office Systems		(1,376)
		<u><b>12,608</b></u>
National Heart, Lung and Blood Institute		
Pass-Through from University of Michigan Brief Motivational Interviewing for Body Mass Index Reduction	<b>93.837</b>	<b>361,722</b>
U.S. Department of Transportation		
National Highway Transportation Safety Administration		
Pass-through from National Safety Council	<b>20.614</b>	<b>548</b>
U. S. Agency for International Development		
Foreign Assistance for Programs Overseas		
Pass-through from Save the Children Federation, Inc	<b>98.001</b>	<b>87,786</b>
U. S. Department of Justice		
Office of Juvenile Justice Programs		
Medical Home for Children Exposed to or Victimized by Violence	<b>16.582</b>	<u><b>114,391</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><u><b>\$ 9,795,734</b></u></u>

\*Denotes a major program  
See report of independent certified public accountants regarding supplemental information.  
See notes to schedule of expenditures of federal awards.



**American Academy of Pediatrics**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

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**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Academy and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B - Loans/Loan Guarantees**

Of the federal expenditures presented in the schedule, there were no loans outstanding or loan guarantees as of June 30, 2012.

**Note C - Nonmonetary Assistance**

The Academy neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended June 30, 2012.

**Note D - Federal Insurance**

The Academy had no federal insurance as of June 30, 2012.

See report of independent certified public accountants regarding supplemental information.

**American Academy of Pediatrics**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

**Note E - Subrecipients**

Of the federal expenditures presented in the schedule, the Academy provided awards to subrecipients as follows:

<u>Federal Grantor/Pass-Trough Grantor/Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
U. S. Department of Health and Human Services		
Maternal and Child Health Federal Consolidated Programs		
Direct Awards	93.110	
MCH Research Network Programs		\$ 37,192
Bright Futures Pediatric Implementation		63,139
Supplement to Bright Futures Pediatric Implementation		
- Young Investigators Award		129,888
Supplement to Bright Futures Pediatric Implementation		
- Young Investigators Award		30,090
Genetics in Primary Care		5,000
Direct Awards		
ARRA - Maternal and Child Health (MCH) Pediatric		
Research Network Program	93.419	171,710
Head Start		
Direct Awards		
National Center on Health	93.600	1,340,207
Centers for Disease Control and Prevention		
Direct Awards		
Public Health Program to Enhance Health & Development in		
and Children	93.283	26,000
Pass-through from University of Michigan		
Translating an Effective Teen Driving Program for Parents		
to Primary Care	93.061	8,638

See report of independent certified public accountants regarding supplemental information.

**American Academy of Pediatrics**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

**Note E - Subrecipients (Continued)**

<u>Federal Grantor/Pass-Trough Grantor/Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Public Health Service		
Direct Awards		
2010 ARRA - Prevention and Wellness - Leveraging National Organizations	93.731	\$ 29,657
National Institutes of Health		
National Cancer Institute		
Direct Awards		
Adolescent Smoking Cessation in Pediatric Primary Care	93.393	156,717
Supplement to Adolescent Smoking Cessation in Pediatric Primary Care		6,957
Pass-Through from Massachusetts General Hospital		
Addressing Parental Smoking by Changing Pediatric Office Systems		5,269
National Heart, Lung and Blood Institute		
Pass-Through from University of Michigan		
Brief Motivational Interviewing for Body Mass Index Reduction	93.837	<u>8,638</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 2,019,104</u></b>

See report of independent certified public accountants regarding supplemental information.

**American Academy of Pediatrics**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency (ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency (ies) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.110	Maternal and Child Health Federal Consolidated Programs
93.393	Adolescent Smoking Cessation in Pediatric Primary Care Supplement to Adolescent Smoking Cessation in Pediatric Primary Care
93.419	ARRA - Maternal and Child Health (MCH) Pediatric Research Network Program
93.600	National Center on Health
93.731	ARRA - Prevention and Wellness - Leveraging National Organizations
93.767	Medicaid and Children's Health Insurance Programs

**American Academy of Pediatrics  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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**Section I - Summary of Auditor's Results (Continued)**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

There are no findings to be reported in accordance with OMB Circular A-133 for the year ended June 30, 2012.

**Section III - Federal Award Findings and Questioned Costs**

There are no findings to be reported in accordance with OMB Circular A-133 for the year ended June 30, 2012.

**American Academy of Pediatrics  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2012**

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There were no prior year findings or questioned costs.